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REPORT TO GOVERNOR MANDEL

Governor's Committee to Study Public Versus Private
Ownership and Operation of Public School Transportation Systems
in the State of Maryland

September 2, 1971

Fred H. Spigler, Jr.
Chairman

INTRODUCTION

On September 4, 1970, you appointed a five-member committee To Study Public versus Private Ownership and Operation of Public School Transportation Systems in the State of Maryland.

The members of this committee were:

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Administrative Officer for Education
State House
Annapolis, Maryland 21404

Ellis James Dudney
President
Maryland School Bus Contractors
Association, Inc.
1700 South Crain Highway
Glen Burnie, Maryland 21061

Theodore H. Schaefer
Past President
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Cedar Lane
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Paul A. Henry, Ph.D.
Assistant Superintendent
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Montgomery County Public Schools
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Rockville, Maryland 20850

B. Melvin Cole
Assistant Superintendent
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Board of Education of Baltimore
County
6901 North Carles Street
Towson, Maryland 21204

The Committee held fifteen meetings from October 1, 1970 through September 2, 1971, when it presented its final report to you.

The Committee believes that it has carried out your request "for a thorough study of the subject matter concerned." In addition, the Committee was guided by the provisions of SJR 8 enacted by the 1970 Legislature which called upon "the Governor of Maryland to have an independent and impartial study undertaken of the subject of public versus private ownership of school buses."

PART I - BACKGROUND

The issue of public versus private ownership of public school transportation systems has been a controversial one for several years.

There are several reasons why this issue has come into sharp focus in recent years. Fundamental to the complex nature of the issue, has been the difficulty on the part of government and education agencies to clarify the issue. During this period of indecision, opposing viewpoints between those who favor public ownership and operation and those who advocate private ownership and management have debated the issue without benefit of an independent evaluation of the issue.

An answer is desirable because the public interest is involved. At the crux of the public's interest is the fact that the State expended \$27,657,623.00 in 1969-70 for public school transportation for 451,344 pupils. These funds are paid to both public systems and private operators. In addition, well over 1,000 citizens are owners of or employed by private school transportation systems.

As stated previously, there exists honest differences of opinion over the issue of public versus private ownership of school buses. As a result of this, Maryland now has three distinct arrangements currently operating in the twenty-four public school systems. A few systems are totally publicly owned, except for transportation of handicapped pupils. Several other systems have both publicly owned and contractor owned buses operating, while the remaining sub-divisions are solely served by private contractors. The problem was compounded by the passage of legislation in 1970, which urged the maintenance of the "status quo" pending the completion of an independent-impartial study.

The factors affecting the current problem probably had their beginning as early as 1947. In that year Dr. David Zimmerman's formula for distribution of reimbursement to school bus contractors was adopted by the Maryland State Department of Education. At that time the reimbursement formula was used to determine the State's partial share of the costs of public school transportation.

In 1964 the State assumed the full funding of transporting pupils to public schools. In that same year, the Dixon Committee was formed to study the reimbursement formula. It was this committee that first raised the question of public versus private ownership of school buses. Basically, the formula for reimbursement has remained largely unchanged for nearly 25 years.

The issue most recently came into public view in March, 1968. On March 27, the Maryland State Board of Education adopted a resolution which urged a transition to public ownership. Private interests increased their organization efforts to resist this move. Local school boards and school administrators became the focal point of this rivalry. Aspects of the controversy began to spill over into the State legislature.

The 1969 session of the Maryland Legislature requested the establishment of a Governor's commission to study the question raised by the State Board of Education action. This fifteen-member commission composed of State legislators, State and local education officials, and private bus contractor interests convened in September, 1969.

The commission held five public sessions. A large volume of conflicting testimony was filed with the group. In its report to the Governor the commission summarized its dilemma by stating, ". . . almost everyone agreed that they were not in a position to make a definitive statement at this time indicating that one type of ownership was superior to the other."

However, the commission did strongly recommend an in-depth study by an independent-impartial consulting firm. An additional recommendation suggested the development of a new State pupil transportation cost reimbursement formula to apply equally, regardless of the bus ownership.

The failure of this commission to come to a decisive conclusion did not diminish the controversy. Again in 1970 the Maryland Legislature expressed itself by requesting the Governor to undertake an independent and impartial study of the issue.

This report will state certain conclusions that the Committee feels are decisive. In addition, in Parts III and IV of this report, certain findings and recommendations are made. A major consideration by the Committee in the presentation of these findings and recommendations, is the result of a comprehensive study undertaken by the independent consulting firm of Arthur D. Little, Inc. of Cambridge, Massachusetts. A copy of the Arthur D. Little study is enclosed with this report.

PART II - COMMITTEE DELIBERATIONS

Your Committee reached an important consensus early in its deliberations. It was agreed that little progress would be made if the group were to follow the format of the Avara Commission. The determination was made that the Committee's interests would not be served by a replay of testimony already given by interests on both sides of the controversy.

Instead, the unanimous decision was reached to develop a set of comprehensive specifications for an "independent-impartial study." Over a period of two months the Committee worked on the structure of the specifications. The completed specifications contained the following major categories for study:

- The scrutiny of the direct and indirect costs of pupil transportation in Baltimore City and not more than five contrasting county subdivisions in Maryland.
- The consideration of certain cost variables unique to public school transportation in Maryland.
- An evaluation of the philosophical assumptions and practices utilized in transportation programs.
- An examination of the State reimbursement formula in terms of its adequacy in underwriting the costs.

In addition, specific criteria were developed to insure a broad based study. These were:

- Close contact between the committee and local school officials in the specific subdivisions.
- Secure a maximum of cooperation by involving each step of the way all persons affected by the study.
- Safeguarding and insuring maximum validity of the necessary data to be collected.
- Any final report should be couched in language that could be readily understood by all who will read it.

The Committee took an additional step by developing an itemized list of categories for the study of the reimbursement formula. These categories were not the same as those in the present formula, because early in its sessions, it was unanimously agreed that the present formula was inadequate for both systems of ownership and operation.

On December 16, 1970, the Committee invited twelve well-known national consulting firms to submit competitive bids to undertake the study as outlined in the specifications. The bids were to be received no later than February 1, 1971.

During the interim, Committee members made themselves available to representatives of the firms for consultation on the scope and intent of the specifications. Eight firms presented bids on or before February 1, 1971, and these were evaluated individually by the members of the Committee.

Following this thorough evaluation, the Committee recommended to you on February 10, that a contract be awarded to the Arthur D. Little Company of Cambridge, Massachusetts. You agreed to the Committee recommendation and authorized that the study proceed.

In later consultations with ADL, Garrett, Frederick, Anne Arundel, Montgomery, and Wicomico Counties were selected for the study. The specifications required the inclusion of Baltimore City.

During the ensuing four months ADL personnel conducted the most thorough study ever undertaken of public school transportation in Maryland. This point is exemplified by the following activities initiated by ADL personnel during the study:

- Sponsorship of two statewide one-day workshops involving public and private professional and contractor interests not represented by the six selected subdivisions.
- Participation in the program of the annual meeting of the Maryland School Bus Contractors Association, Inc.
- Contacts made with political leaders who have been involved in the controversy.
- Detailed comparative analysis of cost data between public and private systems.

On July 27, 1971, Mr. John W. Frank, representing the Arthur D. Little Company, presented its report to the Committee and to you personally. At that time, Mr. Frank presented a concise "executive summary" summarizing their findings and recommendations. You, in turn, requested that we evaluate the ADL study in conjunction with our other deliberations and present our final report to you.

PART III -- SUMMARY OF ARTHUR D. LITTLE, INC. FINDINGS

The most important conclusion reached by the independent consultant relates to the issue of private versus public ownership of public school transportation systems.

Their statement is that public ownership is not uniformly more economical throughout the State, and the economic advantage of one approach versus another is so narrow, i.e., less than 5% in some cases, it might better be disregarded as immaterial.

A detailed study of the full report by ADL will reveal an exhaustive compilation and evaluation of local data and policies in arriving at this conclusion. In fact, the diverse characteristics of the six subdivisions contributed to the credibility of the basic finding.

The Committee was particularly impressed with the depth of the ADL investigation leading to the above statement. Detailed comparative analysis was made of the effects of such variables between the two systems as student field trip management, fringe benefits for drivers, diverse equipment requirements, route scheduling variables, and equipment purchasing arrangements.

Having arrived at the basic ownership conclusion, ADL's subsequent findings take on additional significance. Several which the Committee found particularly noteworthy are:

1. Neither form of ownership has an advantage over the other in the development and maintenance of safety standards.
2. An obvious incongruity exists between local autonomy, minimal State administration, and the present concept of full State funding of costs, with significant disparities in scheduling, equipment procurement, and administration.
3. A strong condemnation by ADL regarding the absence of a uniform State contract for operation of school buses.
4. ADL found that the State should exert a greater influence over the level and nature of service contingent with the current policy of full State funding of costs.

5. ADL believes the elimination of the State reimbursement concept is "a very practical option for the State." A suggested alternative, according to ADL, would be the development of an adequate minimum program applied equally to public and private systems in which the State "should require material local participation" in costs.
6. In the alternative, the consultant suggests several significant changes in the present reimbursement formula.
7. As an example of the breadth of the ADL Study, they found a lack of coordination between the Maryland State Department of Education and the Department of Motor Vehicles, and the absence of a formal channel of communication for private contractor interests.
8. ADL candidly admits that the unique and pressing problems in Baltimore City precludes definitive assumptions at this time. For example, between the 1968-69 and 1969-70 school years, the City's transportation program increased 22-fold. Implicit in ADL's comments regarding Baltimore City is the belief that further study is called for.

These, and other findings comprise a major portion of the ADL Study. Detailed supportive data is supplied in various appendices. The Committee recommendations which follow reflect an evaluation of the work of ADL in Maryland from February through June 1971, a year's discussion of issues within the Committee, and the many years of experience in the operation and administration of both private and public school transportation systems represented by the Committee members.

PART IV -- RECOMMENDATIONS

The consulting firm's major finding is that neither a public nor a private system is significantly superior. After a thorough evaluation of ADL's data and information in support of this finding, the Committee agrees with this determination and recommends that future State policy reflect this judgment. Therefore, the Committee believes that each of the twenty-four local school systems should make its own determination as to a public or private system, based on the requirement for an adequate public school transportation program in each system.

The recommendations which follow are interrelated with this basic Committee position. Their application could significantly strengthen the basis for the local determination, in addition to improving public school transportation in Maryland. In each instance, the Committee's position is unanimous in support of the recommendations and have listed them in order of priority.

Recommendation Number One:

The immediate development of a uniform statewide contract that would be promulgated prior to the operation of a vehicle by contractors. Provisions in the contract as they would apply to private contractors should not be discriminatory in relation to administrative policies and other agreements that should prevail in school systems where there is public ownership in operation.

Recommendation Number Two:

Tighter audit controls should be established by the Maryland State Department of Education to provide for more accurate data on the cost of the operation of every school bus that operates in the State whether publicly or privately owned. The control of the audit should be on each vehicle as it relates to the State formula. In addition, adequate managerial audits of a localities program should be performed periodically.

Recommendation Number Three:

Reimbursement under the formula should be applied equally to both public and private systems with the State moving toward, over a period of the next several fiscal years, a method of local sharing of the costs of public school transportation, again applied equally to both public and private systems. The Committee further recommends that before establishing a level of local participation, a new cost formula be developed that would be as inclusive as possible and on which would be based the local share of the total cost of the new minimum program. Although no specific endorsement is made, the Committee believes that the State should consider the Linear Density Index formula as a possible alternative to the present formula. A specific description of this approach appears in Appendix XV of the ADL Study.

Recommendation Number Four:

Recognizing that the concept in Number Three above may not be implemented in the near future, the Committee strongly recommends that

revisions be made in the present reimbursement formula under direction of the State Superintendent of Schools, that would take effect in Fiscal Year 1973. Such provisions are necessary to make more equitable the distribution of funds by the State to the public systems and private contractors.

Recommendation Number Five:

Appointment, as soon as practicable, of a Public School Transportation Liaison Committee that would include representatives from the Department of Motor Vehicles, The Maryland State Department of Education, administrative staffs of local school systems, school bus private contractors, local school board members and the Maryland State Police. The Committee believes that this group could assist in the administration of public school transportation systems.

Recommendation Number Six:

The Maryland State Department of Education should be encouraged and funded to study computer-assisted routing and scheduling. The Committee recognizes that the application of this recommendation plus Number One and Number Two above could result in the need for additional staffing within the Maryland State Department of Education.

Recommendation Number Seven:

The State should develop an initial set of specifications to better control the current variances in equipment required on school buses in various subdivisions. It is further recommended that local fiscal agencies pay the full cost for local exceptions to these specifications.

Recommendation Number Eight:

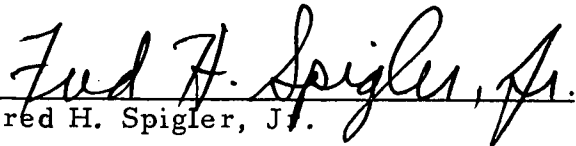
A series of refresher courses should be set up and funded by the State of Maryland and be required of every school bus driver in the State to insure the continuance of maximum safety both in public and private systems.

Recommendation Number Nine:

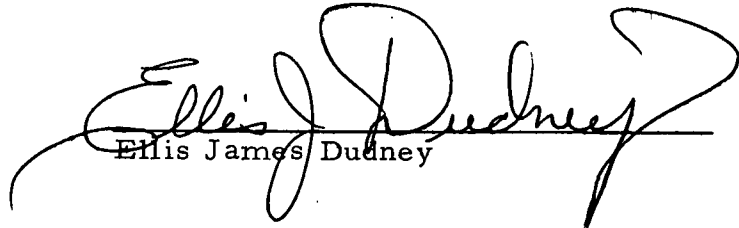
If a local board of education decides to provide central maintenance and repair facilities for either a private or public system, it is recommended that these facilities be considered for State reimbursement under the current School Construction Program guidelines of the Board of Public Works.

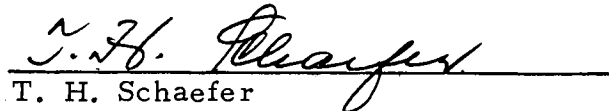
CONCLUSION

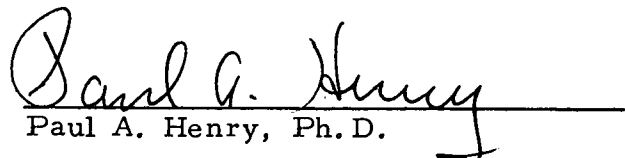
This report should not conclude without recognizing the importance of this Committee's unanimity of agreement. The group represented the diversity of views that has become a sensitive issue among public education agencies for the past three and a half years. Despite this diversity of opinion, the Committee found a common consensus. The Committee stands ready to be of whatever assistance it can in the implementation of the recommendations.


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Ellis James Dudney


T. H. Schaefer


Paul A. Henry, Ph.D.

September 2, 1971